

Congress of the United States

House of Representatives

109th Congress

Committee on Small Business

2561 Rayburn House Office Building

Washington, DC 20515-6515

October 13, 2005

The Honorable David M. Walker
Comptroller General
U. S. General Accounting Office
441 G Street, N. W.
Washington, D.C. 20548

Dear Mr. Walker:

Over its history, the Small Business Administration (SBA) has played a critical role in helping businesses recover from floods, hurricanes, fires, terrorist attacks, and other disasters. By providing affordable financial assistance in a quick and efficient manner, the SBA's Disaster Assistance Program has enabled local communities to recover and regain their strength. In the wake of Hurricane Katrina, however, concerns have been raised that the SBA's response has been ineffective, leaving many business owners without the immediate assistance that they need.

The House Small Business Committee conducted a hearing on October 7, 2005 to explore the challenges that small businesses face in recovering from Hurricane Katrina and to monitor the SBA's role and performance to date. As a result of this hearing, further concerns were raised about the SBA's ability to quickly and effectively meet the needs of small businesses affected by Hurricane Katrina.

In order to fully understand the effectiveness of SBA's response to Hurricane Katrina, I request that you conduct a study to provide the Committee with answers to the following questions:

1. What were the primary causes of delays in processing and approving SBA disaster loan applications related to Hurricane Katrina?
 - a. What was SBA's response to overcome these delays and was it sufficient?

- b. Has the Disaster Credit Management System (DCMS) helped or hindered SBA's response to businesses affected by Hurricane Katrina?
 - c. How did SBA's recent workforce transformation affect SBA's ability to respond to Hurricane Katrina?
 - d. How did SBA's recent transition to DCMS affect SBA's ability to respond to Hurricane Katrina?
 - e. Was SBA able to efficiently and effectively train new employees brought on to assist with the Hurricane Katrina backlog?
 - f. Is DCMS's architecture and design able to accommodate the unique nature of disaster loans or is the system more appropriate to process less complex, conventional loans?
 - g. Is DCMS appropriately scalable to respond to super-disasters like Hurricane Katrina?
 - h. What is the cost/savings to date of DCMS to the federal government?
2. Has the SBA taken all of the steps that it could take to expedite and increase its response to small business affected by Hurricane Katrina? Including:
- a. A review of the existing regulatory authority the SBA has to make changes to the disaster program and if SBA has made those changes in response to Hurricane Katrina; and
 - b. A review of the regulatory/program changes that the SBA made in response to the terrorist attacks of September 11, 2001 and their relevance/appropriateness for Hurricane Katrina.
3. How do the disaster loan approval rates for Hurricane Katrina compare with previous hurricanes? Including:
- a. An analysis of Credit Elsewhere and No Credit Elsewhere loan approvals and the impact on overall approval rates.
 - b. An assessment of the speed/timeframe in which approvals and disbursements for loans were made as compared to previous hurricanes.
4. Given the magnitude of Hurricane Katrina and the unique challenges that applicants face in demonstrating future financial solvency, does SBA's evaluation of applicants' "ability to repay" overly restrict businesses' access to the program?¹

¹ The Committee is not interested in an assessment by GAO of whether or not the SBA approved or denied disaster loans within its statutory parameters.

5. How do businesses in the Gulf Region view the SBA's implementation of the Disaster Assistance Program in response to Hurricane Katrina?

Due to SBA's on-going response to Hurricane Katrina and the Committee's desire to stay informed of new developments, I ask that GAO provide my staff with regular briefings on this request. Please contact Adam Minehardt of the Committee staff at 202-225-4038 with any questions about this request.

Sincerely,

A handwritten signature in dark ink, appearing to read "Nydia M. Velázquez", with a stylized flourish at the end.

Nydia M. Velázquez
Ranking Democratic Member